

Message Text

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TO USDEL SECRETARY PRIORITY

C O N F I D E N T I A L STATE 301276 TOSEC 320209

FOR THE SECRETARY FROM ROBINSON

E.O. 11652: GDS

TAGS: EAID, MASS, OVIP KISSINGER (HENRY A.)

SUBJECT: BRIEFING MEMORANDUM: YOUR MEETING WITH THE
PRESIDENT AND LYNN

REF: YOUR DECEMBER 9 MEMORANDUM FOR THE PRESIDENT:
FOREIGN ASSISTANCE BUDGET APPEAL (S/S 7625122)

1. THIS MEMORANDUM SUPPLEMENTS THE REFERENCED MEMORANDUM
FOR THE PRESIDENT WITH INFORMATION ON PROBABLE POSITIONS
TO BE TAKEN BY LYNN AT THE MONDAY MORNING MEETING IN
RESPONSE TO YOUR RECLAMAS. EXCEPT WHERE SPECIFICALLY
STATED IN THE COMMENT ON EACH ITEM, IT IS THE
RECOMMENDATION OF THE RESPONSIBLE OFFICER THAT YOU SHOULD
STICK TO THE POSITION YOU TOOK IN YOUR DECEMBER 9
MEMORANDUM, WHICH IS IDENTIFIED PARENTHETICALLY
AS "(STATE)" BESIDE THE RELEVANT OPTION BELOW:

2. SECURITY ASSISTANCE: THE THREE MAJOR ISSUES ON WHICH
YOU CAN EXPECT STRONG OMB RESISTANCE ARE:

(A) MIDDLE EAST: LYNN WILL POSE TO THE PRESIDENT
FOUR OPTIONS WITH REGARD TO PROGRAMS INVOLVING THE
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MIDDLE EAST CONFRONTATION STATES:

OPTION 1: (STATE)

RETURN FROM THE PRESIDENT'S MARK TO THE ACTUAL FY 1977
SSA PROGRAM LEVELS, INCLUDING \$5 MILLION ADDITIONAL MAP
FOR JORDAN TO PRESERVE PROPORTIONALITY.

OPTION 2:

SAME, BUT WITH ONLY 33 PERCENT RATHER THAN 50 PERCENT
FORGIVENESS OF ISRAELI FMS FINANCING.

OPTION 3: (OMB)

NO CHANGE FROM THE PRESIDENT'S MARK.

OPTION 4:

SAME LEVELS AS THE PRESIDENT'S MARK BUT WITH ONLY 33 PER-
CENT RATHER THAN 50 PERCENT FORGIVENESS OF ISRAELI FMS
FINANCING.

COMMENT: OMB'S ARGUMENTATION IS BASED ON A PERCEPTION
THAT ISRAEL'S ECONOMIC POSITION HAS GREATLY IMPROVED, AND
THAT THE POLITICAL IMPACT OF CUTS IN THE PROGRAMS OF ALL
FOUR COUNTRIES WILL BE MITIGATED BY THE FACT THE CUTS ARE
PROPORTIONAL.

(B) PROGRAM FOR SOUTHERN AFRICA: THE PRESIDENT WILL BE
PRESENTED WITH CHOICES ON BOTH THE FY 1977 AND FY 1978
PROPOSALS.

FY 1977

OPTION 1: (STATE)

GRANT THE \$200 MILLION SUPPLEMENTAL REQUESTED BY YOU.

OPTION 2: (OMB)

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DENY ANY SUPPLEMENTAL.

COMMENT: OMB WILL ARGUE THAT NO FY 1977 FIGURE OF THIS
MAGNITUDE CAN BE JUSTIFIED TO CONGRESS UNTIL THERE IS A
SIGNIFICANT POLITICAL BREAKTHROUGH. SCHAUFELE PREFERS TO
OBTAIN BOTH THE FY 1977 SUPPLEMENTAL AND THE FY 1978
REQUEST, BUT IF A CHOICE MUST BE MADE HE PLACES GREATER
POLITICAL VALUE ON THE FY 1978 REQUEST (BELOW).

FY 1978

OPTION 1: (STATE)

GRANT THE \$220 MILLION PROGRAM REQUESTED BY YOU.

OPTION 2: (OMB)

LIMIT TO A \$100 MILLION "PLUG" FIGURE.

COMMENT: SIMILARLY, WHILE WILLING TO INTRODUCE THIS "PLUG" FIGURE, OMB WILL ARGUE AGAINST THE HIGHER FIGURE ON THE GROUNDS WE LACK BASIS FOR SUCH SPECIFICITY.

(C) PORTUGAL:

THREE OPTIONS WILL BE PRESENTED, EACH DEALING WITH ALL THREE QUESTIONS AT ISSUE ON PORTUGAL: THE \$50 MILLION SSA REQUEST, THE \$25 MILLION MAP REQUEST, AND RESTORATION OF \$1.7 MILLION IMET CUT BY THE PRESIDENT'S MARK.

OPTION 1: (STATE)

GRANT YOUR REQUEST FOR RESTORATION OF ALL THREE.

OPTION 2:

GRANT \$50 MILLION SSA BUT DENY THE MAP AND IMET REQUESTS.

OPTION 3: (OMB)

SUSTAIN THE PRESIDENT'S MARK AND DENY THE \$25 MILLION CONFIDENTIAL

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MAP SUPPLEMENT (THIS \$25 MILLION MAP REQUEST WAS NOT BEFORE THE PRESIDENT WHEN HE MADE HIS TENTATIVE DECISIONS ON NOVEMBER 24.)

COMMENT: OMB'S GREATER RESISTANCE TO THE MAP AS OPPOSED TO THE SSA REQUEST IS BASED ON (A) A BELIEF CONGRESS WILL RESIST ANY MAP PROGRAMS NOT CLOSELY LINKED TO BASE RIGHTS TREATIES, AND (B) A BELIEF WE SHOULD NOT GET TOO FAR AHEAD OF NATO ALLIES IN MUTUAL CONTRIBUTIONS TO PORTUGUESE FORCE IMPROVEMENT. EUR ADVISES THAT IF THE PRESIDENT INSISTS ON A REDUCTION, THE LESS DAMAGING DECISION WOULD BE TO GRANT THE MAP AND IMET REQUESTS AND DROP THE SSA.

THE FOLLOWING ARE THE ISSUES IDENTIFIED BY OMB AS LESS

IMPORTANT ONES WHICH OMB EITHER CONCEDES OR POSES TO THE PRESIDENT WITHOUT ACCOMPANYING ISSUES PAPERS:

(D) THAILAND: OMB WILL AGREE TO RESTORATION OF \$8 MILLION MAP.

(E) PANAMA: THE PRESIDENT WILL BE PRESENTED WITH A STRAIGHT CHOICE BETWEEN RESTORING \$7.7 MILLION FMS FINANCING FOR C-130S AS YOU REQUESTED, OR NOT DOING SO.

(F) CAMEROON: OMB WILL AGREE TO A \$5 MILLION FMS PROGRAM.

(G) TUNISIA: WE BELIEVE OMB CONCEDES THIS SMALL \$.3 MILLION GRANT TRAINING ISSUE AND THE MATTER WILL NOT EVEN BE RAISED.

(H) CENTO: THE PRESIDENT WILL BE PRESENTED WITH A STRAIGHT CHOICE OF AGREEING TO THE \$5 MILLION GRANT AID PROGRAM FOR CENTO, OR DENYING IT.

(I) PERU: (AN FY 1977 ISSUE NOT DISCUSSED IN MATERIAL YOU HAVE WITH YOU.) BELIEVING PERU SHOULD BE CHASTISED FOR PURCHASING SOVIET SU-22S, OMB WILL ASK THE PRESIDENT TO CUT FY 1977 FMS FINANCING FROM \$20 MILLION TO \$10 MILLION.

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3. DEVELOPMENT ASSISTANCE AND INTERNATIONAL ORGANIZATIONS.

WE UNDERSTAND THAT AT JIM LYNN'S INSTRUCTION OMB STAFF HAVE PREPARED AN ALTERNATIVE TO THE BUDGET APPEAL THAT WOULD PROVIDE SOME MODEST RELIEF FOR DEVELOPMENT ASSISTANCE AND INTERNATIONAL ORGANIZATIONS BUT HOLD TO THE PRESIDENT'S ORIGINAL DECISION ON MOST ASPECTS OF SECURITY ASSISTANCE. DETAILS FOLLOW:

SUMMARY: THE APPEAL PROPOSED RESTORATION OF \$79 MILLION IN FY 1978 AND \$371 MILLION IN FY 1979. THE OMB ALTERNATIVE WOULD PROVIDE AN INCREASE OF \$27 MILLION IN FY 1978 AND \$191 MILLION IN FY 1979. COMPONENTS OF THE PRESIDENT'S ORIGINAL DECISION, THE APPEAL, AND THE OMB ALTERNATIVE ARE AS FOLLOWS:

AID ASSISTANCE PROGRAMS
(IN MILLIONS OF DOLLARS)

FY 78 FY 78 FY 78 FY 79 FY79 FY79
PRESIDENT'S DEC. 9 OMB DECI- 12/9 OMB
DECISION APPEAL ALT.SION APP. ALT.

SAHEL DEVELOPMENT

PROGRAM 50 80 50 50 120 100

SCIENCE AND

TE NOLOGY 99 120 110 110 140 125

OPERATING EXPENSES 213 220 213 222 242 222

COUNTRY PROGRAMS 755 755 755 945 855

INTERNATIONAL

ORGANIZATIONS 212 227 222 221 276 241

OTHER 302 309 309 340 346 346

PROGRAM TOTAL 1,632 1,711 1,659 1,698 2,069 1,889

INCREASE OVER

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PRESIDENT'S

DECISION - # 79 # 27 - # 371 #191

#(PLUS)

OMB STAFF HAS RECOMMENDED THAT LYNN URGE THE PRESIDENT TO
ADOPT THE FIGURES LABELED "OMB ALTERNATIVE".

COMMENT: IN THE INTEREST OF CONSENSUS AND TO REDUCE THE
NUMBER OF DECISIONS BEFORE THE PRESIDENT, WE COULD ACCEPT
THE OMB ALTERNATIVE, EXCEPT FOR THE INTERNATIONAL
ORGANIZATIONS ITEM NOTED BELOW. IF LYNN DOES NOT AGREE,
WE BELIEVE WE SHOULD PRESS OUR ORIGINAL APPEAL. CONFIR-
MATION RE LYNN'S SUPPORT WILL BE AVAILABLE PRIOR TO THE
MEETING. IF WE TAKE THE SAME POSITION THERE WILL BE NO
FURTHER ISSUES ON THE FY 1978/79 DEVELOPMENT ASSISTANCE
BUDGET.

BRIEFLY, THE OMB ALTERNATIVES INVOLVES THE FOLLOWING
CHANGES:

(A) SAHEL DEVELOPMENT PROGRAM. THE OMB ALTERNATIVE
INVOLVES \$150 MILLION OVER THE TWO YEAR PERIOD AND A
BUILT-IN INCREASE FROM FY 1978 TO FY 1979. THE DOLLAR
LEVEL IS SUFFICIENT TO SIGNAL A MAJOR U.S. COMMITMENT

AND THE GROWTH IN FY 1979 AVOIDS NEGATIVE IMPLICATIONS
ASSOCIATED WITH HOLDING THE PROGRAM TO THE SAME AMOUNT
IN EACH YEAR.

(B) SCIENCE AND TECHNOLOGY. THE OMB ALTERNATIVE WOULD ALLOW US TO FINANCE THE MOST IMPORTANT OF THE NEW INITIATIVES.

(C) OPERATING EXPENSES. OMB HAS AGREED TO LIFT THE AID EMPLOYMENT CEILING BY 200, A SATISFACTORY COMPROMISE. DOLLAR LEVELS ARE NOT AT ISSUE.

(D) COUNTRY PROGRAMS. THE OMB ALTERNATIVE ADDS BACK \$100 MILLION IN FY 1979 AND WOULD DEMONSTRATE EXECUTIVE BRANCH COMMITMENT TO HIGHER BILATERAL AID LEVELS.

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(E) THE LEVELS FOR FY 1978 AND 1979 REPRESENT A SIGNIFICANT TOTAL INCREASE OVER PREVIOUS YEARS PERFORMANCE.

(F) INTERNATIONAL ORGANIZATIONS. THE OMB ALTERNATIVE WOULD PROVIDE \$110 MILLION FOR THE UNDP IN FY 1978 AND \$120 MILLION IN FY 1979. WHILE TIGHT THIS WOULD PROVIDE FOR A MODEST GROWTH FROM THE FY 1977 \$100 MILLION LEVEL. THE OMB ALTERNATIVE DOES NOT RESTORE ROUGHLY \$5 MILLION FOR FY 1978 AND \$35 MILLION FOR FY 1979 TO FUND A NUMBER OF SPECIAL UN INITIATIVES, UNICEF AND THE OAS. LEWIS RECOMMENDS THAT WE PRESS FOR RESTORATION OF THESE AMOUNTS PRIOR TO THE MEETING; WE WILL DO SO. IF THESE RESTORATIONS ARE NOT MADE, HE RECOMMENDS YOUR CONTINUING TO APPEAL THEM TO THE PRESIDENT.

4. SUGGESTED TALKING POINTS ON CONTESTED ISSUES ARE INDICATED BY THE DECEMBER 9 MEMORANDUM AND BACK-UP SHEETS ON EACH ITEM. ROBINSON

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